

ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2005



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*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 12, 2005

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Atherton Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Atherton Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 12, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VII and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atherton Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf, P.C.*

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



# *Atherton Community Schools*

*3354 S. Genesee Road, Burton, Michigan 48519*

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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Atherton Community Schools, a K-12 school District located in Genesee County, Michigan, is in its third year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Atherton Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

### **Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

### **District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



ATHERTON COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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**District Wide Financial Statements:** (Continued)

These two statements report the Atherton Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
Current Assets	\$2,401,817	\$3,810,403
Non-Current Assets	<u>10,633,365</u>	<u>9,811,740</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$13,035,182</u></b>	<b><u>\$13,622,143</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	\$1,223,563	\$1,515,884
Long-Term Liabilities	<u>8,075,314</u>	<u>8,436,140</u>
Total Liabilities	\$9,298,877	\$9,952,024
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets - Net of Related debt	2,302,610	1,919,742
Restricted - Debt Service	34,216	55,277
Unrestricted	<u>1,399,479</u>	<u>1,695,100</u>
Total Net Assets	<u>\$3,736,305</u>	<u>\$3,670,119</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$13,035,182</u></b>	<b><u>\$13,622,143</u></b>



ATHERTON COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$2,095,622	\$2,065,365
Property Taxes Levied for Debt Service	686,620	655,514
State of Michigan Unrestricted Foundation Aid	4,704,283	4,681,386
Other General Revenues	<u>240,579</u>	<u>112,594</u>
Total General Revenues	\$7,727,104	\$7,514,859
<u>Operating Grants:</u>		
Federal	726,970	806,957
State of Michigan	465,160	484,276
Other Operating Grants	<u>182,771</u>	<u>75,315</u>
Total Operating Grants	\$1,374,901	\$1,366,548
<u>Charges for Services:</u>		
Food Service	164,374	163,892
Athletics	22,469	26,446
Other Charges for Services	<u>3,423</u>	<u>84,288</u>
Total Charges for Services	\$190,266	\$274,626
Total Revenues	\$9,292,271	\$9,156,033
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	5,029,084	4,981,232
Support Services	2,971,079	2,714,381
Community Services	64,232	3,745
Food Service	447,375	405,544
Athletics	175,952	147,090
Other Capital Outlay	68,415	0
Interest on Long-Term Debt	390,551	406,537
Depreciation	<u>79,397</u>	<u>79,397</u>
Total Expenses	\$9,226,085	\$8,737,926
<b><u>INCREASE IN NET ASSETS</u></b>	\$66,186	\$418,107
<b><u>BEGINNING NET ASSETS</u></b>	<u>3,670,119</u>	<u>3,252,012</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$3,736,305</u></u>	<u><u>\$3,670,119</u></u>



ATHERTON COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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## **GOVERNMENT- WIDE FINANCIAL ANALYSIS**

### Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets increased by \$66,186 to a total of \$3,736,306. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$382,868 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The District's Unrestricted Net Assets decreased by \$295,621 during the year and the restricted portion of the net assets decreased by \$21,061. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

### Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$66,186. The total revenues increased by \$136,238 over last years amounts. The major change was an increase in property tax revenues. This was a direct result of additional development in the City of Burton and increased assessments. Expenses increased by \$488,159 over last year. Major changes were increases in salaries, retirement and health insurance expenses for employees. The Board of Education also elected to complete several projects in the 04-05 school year. These projects included refurbishing the tennis courts, purchasing playground equipment and chairs and leasing 5 new buses.

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

### Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

#### General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$271,608 during the year with the decrease coming primarily from use of fund balance to supplement general fund revenues due to the lack of an increase in state funding. Revenues for the year increased by \$78,542 primarily from an increase in property tax revenues and grant revenues. Expenditures and other financing uses increased by \$600,245, primarily from increases in wages and fringe benefit expenses and payments for special projects completed that used restricted fund balance dollars. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Atherton Community Schools foundation allowance was \$6,700 per student for the 2004-2005 school year. The foundation allowance increased only by the amount reduced in the 2003-2004 as the result of a governor's order and remained the same as the foundation allowance provided in the 2002-2003 school year.



ATHERTON COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2004-2005 was 1,043 students. This was a decrease of 10 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9172 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$2,095,622. This was an increase of \$30,257 or 1% from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original &amp; Final Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$7,827,049	\$8,213,573	\$8,146,302	4.94%	0.82%
Expenditures	7,960,596	8,414,878	8,417,910	5.71%	0.04%
<u><b>TOTAL</b></u>	<u>(\$133,547)</u>	<u>(\$201,305)</u>	<u>(\$271,608)</u>		

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Atherton Community Schools amends its budget during the school year. The June, 2005 budget amendment was the final budget for the fiscal year.

**Original vs. Final Budgets**

Revenues - The variance in the amount of the original budget and the final budget reflects the conservative estimates used by administration to develop the budget. The budget for the school year is developed and adopted by June of each year. The school district does not know at that time what the State of Michigan will appropriate for the foundation allowance nor does it know what will be appropriated from the various grant sources it utilizes. The actual appropriations become known in October, four months after the fiscal year has begun. Our grant appropriations increased from our estimates in June.

Expenditures - The variance in the amount of the original budget and the final budget expenditures is the result of several collective bargaining agreements being settled during the fiscal year. This resulted in increases in wages and fringe benefits. The Board of Education also authorized the use of restricted fund balance to complete projects that were delayed from prior years. These projects included renovation of the tennis courts, purchase of new playground equipment, additional updating to the air quality control system not completed as part of the 2001 bond issue, purchase of uniforms for all athletic teams and the purchase of routing software for the transportation department.



ATHERTON COMMUNITY SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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**ANALYSIS OF BUDGETS: (Continued)**

Actual Results vs. Final Budgets

Revenues - The significant variations in the actual revenues from the final budgeted amounts were the result of a decrease in the estimated collections on personal property taxes, a decrease in the amount collected from the State of Michigan for special education purposes and a denial of an insurance claim regarding some damaged equipment during the school year.

Expenditures - There were no significant variations.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-04	Increases 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
Durant Bonds	\$95,755	\$0	\$0	\$95,755
2001 Building & Site Bonds	8,550,000	0	315,000	8,235,000
Bus Note Payable	31,987	0	31,987	0
Vacation & Sick Days Payable	89,012	0	2,198	86,814
<u>Total Long-Term Obligations</u>	<u>\$8,766,754</u>	<u>\$0</u>	<u>\$349,185</u>	<u>\$8,417,569</u>

B. Capital Assets

The district's net investment in capital assets increased by \$9,489,735 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
Capital Assets	\$4,963,494	\$9,615,352	\$283,529	\$14,295,317
Less: Accumulated Depreciation	(3,819,864)	(125,617)	(283,529)	(3,661,952)
<u>Net Investment Capital Outlay</u>	<u>\$1,143,630</u>	<u>\$9,489,735</u>	<u>\$0</u>	<u>\$10,633,365</u>

Significant additions were the building improvements to Van Y elementary, the middle school and high school.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Manager, Atherton Community Schools.



ATHERTON COMMUNITY SCHOOLS  
STATEMENTS OF NET ASSETS  
JUNE 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$950,400	\$2,317,553
Investments	68	0
Accounts Receivable	3,840	230
Property Taxes Receivable	0	10,946
Due from Other Governmental Units	1,429,578	1,477,085
Inventory	6,885	4,589
Prepaid Expenses	11,046	0
Total Current Assets	\$2,401,817	\$3,810,403
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	0	8,668,111
Capital Assets	14,295,317	4,963,494
Less: Accumulated Depreciation	(3,661,952)	(3,819,865)
Total Noncurrent Assets	\$10,633,365	\$9,811,740
<u>TOTAL ASSETS</u>	\$13,035,182	\$13,622,143
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	67,025	487,483
Due to Other Governmental Units	60,927	0
Salaries Payable	464,428	409,861
Accrued Expenses	287,191	272,769
Current Portion of Long-Term Obligations	342,255	330,614
Deferred Revenue	1,737	15,157
Total Current Liabilities	\$1,223,563	\$1,515,884
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	8,075,314	8,436,140
<u>TOTAL LIABILITIES</u>	\$9,298,877	\$9,952,024
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	2,302,610	1,919,742
Restricted for:		
Debt Service	34,216	55,277
Unrestricted	1,399,479	1,695,100
<u>TOTAL NET ASSETS</u>	\$3,736,305	\$3,670,119

See accompanying notes to the basic financial statements.



ATHERTON COMMUNITY SCHOOLS  
STATEMENTS OF ACTIVITIES  
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004
	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:				Net (Expense) Revenue & Change in Net Assets
Instruction	\$5,029,084	\$0	\$1,021,002	(\$4,008,082)
Support Services	2,971,079	3,423	105,376	(2,862,280)
Community Services	64,232	0	0	(64,232)
Food Service	447,375	164,374	248,523	(34,478)
Athletics	175,952	22,469	0	(153,483)
Other Capital Outlay	68,415	0	0	(68,415)
Interest - Long-Term Obligations	390,551	0	0	(390,551)
Depreciation - Unallocated	79,397	0	0	(79,397)
<u>TOTALS</u>	<u>\$9,226,085</u>	<u>\$190,266</u>	<u>\$1,374,901</u>	<u>(\$7,660,918)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,782,242
State Aid				4,704,283
Other General Revenues				240,579
Total General Revenues and Transfers				<u>\$7,727,104</u>
Change in Net Assets				\$66,186
Net Assets - Beginning				<u>3,670,119</u>
<u>Net Assets - Ending</u>				<u>\$3,736,305</u>

See accompanying notes to the basic financial statements.



ATHERTON COMMUNITY SCHOOLS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$857,443	\$92,957	\$950,400
Investments	0	68	68
Accounts Receivable	3,840	0	3,840
Due from Other Funds	0	67,551	67,551
Due from Other Governmental Units	1,429,578	0	1,429,578
Inventory	0	6,885	6,885
Prepaid Expenses	10,611	435	11,046
<u>TOTAL ASSETS</u>	<u>\$2,301,472</u>	<u>\$167,896</u>	<u>\$2,469,368</u>
<u>LIABILITIES</u>			
Accounts Payable	\$30,647	\$36,378	\$67,025
Due to Other Funds	52,464	15,087	67,551
Due to Other Governmental Units	60,927	0	60,927
Salaries Payable	464,428	0	464,428
Accrued Expenses	224,758	0	224,758
Deferred Revenue	0	1,737	1,737
Total Liabilities	\$833,224	\$53,202	\$886,426
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	6,885	6,885
Debt Retirement	0	34,216	34,216
Capital Projects	0	117	117
Designated	88,223	0	88,223
Unreserved:			
Undesignated, Reported In:			
General Fund	1,380,025	0	1,380,025
School Service Funds	0	73,476	73,476
Total Fund Balances	\$1,468,248	\$114,694	\$1,582,942
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,301,472</u>	<u>\$167,896</u>	<u>\$2,469,368</u>

See accompanying notes to the basic financial statements.



ATHERTON COMMUNITY SCHOOLS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

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Total Governmental Fund Balances:		\$1,582,942
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$14,295,317 and the accumulated depreciation is \$3,661,952		10,633,365
Accrued Interest on Long-Term Debt		(62,433)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$8,330,755	
Compensated Absences Payable	86,814	
Total Long-Term Liabilities	<u>                    </u>	<u>(8,417,569)</u>
<u>TOTAL NET ASSETS -</u>		<u>\$3,736,305</u>
<u>GOVERNMENTAL ACTIVITIES</u>		



ATHERTON COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$2,312,471	\$897,446	\$3,209,917
State Sources	5,137,750	31,693	5,169,443
Federal Sources	510,140	216,830	726,970
Total Revenues	<u>\$7,960,361</u>	<u>\$1,145,969</u>	<u>\$9,106,330</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	5,145,990	0	5,145,990
Student Services	146,022	0	146,022
Instructional Support	217,731	0	217,731
General Administration	378,585	0	378,585
School Administration	534,640	0	534,640
Business Administration	152,884	0	152,884
Operation & Maintenance of Plant	936,177	0	936,177
Transportation	271,214	0	271,214
Support Services - Other	238,358	0	238,358
Community Services	64,232	0	64,232
Food Service	0	628,746	628,746
Debt Service	0	708,831	708,831
Capital Outlay	0	882,376	882,376
Total Expenditures	<u>\$8,085,833</u>	<u>\$2,219,953</u>	<u>\$10,305,786</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$125,472)	(\$1,073,984)	(\$1,199,456)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(237,688)	237,688	0
Other Transfers	91,552	0	91,552
Total Other Financing Sources (Uses)	<u>(\$146,136)</u>	<u>\$237,688</u>	<u>\$91,552</u>
Net Change in Fund Balance	(\$271,608)	(\$836,296)	(\$1,107,904)
<u>FUND BALANCE - BEGINNING</u>	<u>1,739,856</u>	<u>950,990</u>	<u>2,690,846</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,468,248</u>	<u>\$114,694</u>	<u>\$1,582,942</u>

See accompanying notes to the basic financial statements.



ATHERTON COMMUNITY SCHOOLS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

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Total net change in fund balances - governmental funds	(\$1,107,904)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	821,624
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	346,988
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Change in accrued interest on long-term liabilities	3,280
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Decrease in accrued compensated absences	<u>2,198</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$66,186</u></u>
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ATHERTON COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2005

	<u>Trust &amp; Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$50,599</u>
<u>TOTAL ASSETS</u>	<u>\$50,599</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$50,599</u>
<u>TOTAL LIABILITIES</u>	<u>\$50,599</u>

See accompanying notes to the basic financial statements.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Atherton Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had the following investments.

<u>Investment Type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
MILAF External Investment Pool - MICMS	\$ 68	0.0027	AAAm	100.00%

1 day maturity equals 0.0027, one year equals 1.00.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$1,048,387 of the District's bank balance of \$1,196,987 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$50,599	\$ 1,000,999
Investments	<u>68</u>
<u>TOTAL</u>	<u>\$ 1,001,067</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 50,599
Cash – District Wide	950,400
Investments – District Wide	<u>68</u>
<u>TOTAL</u>	<u>\$ 1,001,067</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 928,245
Federal Grants	373,929
Other Grant Programs & Fees	<u>127,404</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,429,578</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005, the School District had no estimated claims in conjunction with the program.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,973,028	\$0	\$0	\$3,973,028
Land Improvements	137,926	9,572,529	0	9,710,455
Equipment and Furniture	499,483	31,763	174,134	357,112
Vehicles	353,057	11,060	109,395	254,722
Totals at Historical Cost	\$4,963,494	\$9,615,352	\$283,529	\$14,295,317
Less: Accumulated Depreciation				
Buildings and Improvements	(3,019,441)	(79,369)	0	(3,098,810)
Land Improvements	(109,822)	(1,641)	0	(111,463)
Equipment and Furniture	(424,480)	(11,709)	(174,134)	(262,055)
Vehicles	(266,121)	(32,898)	(109,395)	(189,624)
Total Accumulated Depreciation	<u>(\$3,819,864)</u>	<u>(\$125,617)</u>	<u>(\$283,529)</u>	<u>(\$3,661,952)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,143,630</u>	<u>\$9,489,735</u>	<u>\$0</u>	<u>\$10,633,365</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 6,702
Support Services	35,265
Food Service	1,084
Athletics	3,169
Unallocated	79,397
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 125,617</u>

10) GENERAL LONG-TERM DEBT

A) Bus Notes Payable

Atherton Community Schools is indebted to Citizens Bank on a bus note payable in the amount of \$74,611. The note require annual principal payments per annum of \$17,174 including interest at 4.875% per annum. The note was paid in full during the year.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

10) GENERAL LONG-TERM DEBT (Continued)

B) 2001 School Building and Site Bonds

Atherton Community Schools has issued General Obligation Bonds dated November 13, 2001, in the amount of \$9,125,000, bearing interest at rates varying from 4.00% to 6.00% per annum. These bonds were issued for the purpose of remodeling, furnishing, equipping, developing and improving the site for Atherton High School, remodel, develop and improve the site for Van Y Elementary and Atherton Middle School; and to acquire, install, equip and re-equip existing school buildings for technology. The balance of the bonds as of June 30, 2005 was \$8,235,000.

C) Durant Resolution Package Bonds

Atherton Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$149,883 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$97,755. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2006	\$342,255	\$377,870	\$720,125
June 30, 2007	362,599	357,425	720,024
June 30, 2008	410,032	347,837	757,869
June 30, 2009	403,341	312,884	716,225
June 30, 2010	423,738	288,787	712,525
June 30, 2011-2015	2,468,790	1,097,484	3,566,274
June 30, 2016-2020	3,190,000	542,600	3,732,600
June 30, 2021	730,000	14,600	744,600
<u>TOTAL</u>	<u>\$8,330,755</u>	<u>\$3,339,487</u>	<u>\$11,670,242</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$394,974.

E) Changes in General Long-Term Debt

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
Durant Bonds	\$95,755	\$0	\$0	\$95,755	\$7,255
2001 Building & Site Bonds	8,550,000	0	315,000	8,235,000	335,000
Bus Notes Payable	31,987	0	31,987	0	0
Vacation & Sick Days Payable	89,012	0	2,198	86,814	0
<u>Total Governmental Activities</u>	<u>\$8,766,754</u>	<u>\$0</u>	<u>\$349,185</u>	<u>\$8,417,569</u>	<u>\$342,255</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL FUND DESIGNATIONS

The general fund designations are as follows:

Special Projects	\$ 44,723
Technology	<u>43,500</u>
 <u>TOTAL</u>	 <u>\$ 88,223</u>

12) OPERATING LEASES

Atherton Community Schools has entered into the operating leases summarized below:

- A) The District entered into a operating lease with Brady's Business Systems for copiers on September 23, 2003. The lease payment is \$24,074 per annum for a period of five years.
- B) The District entered into a operating lease with Midwest Transit Equipment of Michigan, Inc. to lease five buses. The lease requires an annual payment of \$43,544 for a period of five years.
- C) The District entered into an operating lease with TCF Express Leasing to lease computer network server equipment. The lease requires an annual payment of \$9,676.
- D) Future minimum payments for the operating leases is as follows:

	COPIER	BUSES	COMPUTER EQUIPMENT	TOTAL
June 30, 2006	\$24,074	\$43,544	\$9,676	\$77,294
June 30, 2007	24,074	43,544	9,676	77,294
June 30, 2008	24,074	43,544	0	67,618
June 30, 2009	<u>24,074</u>	<u>43,544</u>	<u>0</u>	<u>67,618</u>
 <u>TOTAL</u>	 <u>\$96,296</u>	 <u>\$174,176</u>	 <u>\$19,352</u>	 <u>\$289,824</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

		<b>DUE FROM</b>		
<b>DUE TO</b>		<b>DEBT</b>		
		<b>GENERAL</b>	<b>RETIREMENT</b>	
		<b>FUND</b>	<b>FUND</b>	<b>TOTAL</b>
General Fund	\$0	\$15,087		\$15,087
Special Revenue Fund	<u>67,551</u>	<u>0</u>		<u>67,551</u>
 <u>TOTAL</u>	 <u>\$67,551</u>	 <u>\$15,087</u>		 <u>\$82,638</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL FUND
Athletics Fund	\$144,476
Capital Projects	93,212
<u>TOTAL</u>	<u>\$237,688</u>

These transfers were made to subsidize the cost of services for athletics and capital projects expenditures.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$678,392, \$601,997 and \$574,654, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to Brown & Brown Insurance and Accident Fund.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

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17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are the Title I and Special Education Cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2005, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

The District has a remaining construction commitment on its 2001 Capital Projects Fund in the amount of \$117 at June 30, 2005.



REQUIRED  
SUPPLEMENTARY  
INFORMATION



ATHERTON COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$2,343,453	\$2,360,400	\$2,312,471	(\$47,929)
State Sources	4,982,202	5,125,659	5,137,750	12,091
Federal Sources	445,026	516,574	510,140	(6,434)
Total Revenues	\$7,770,681	\$8,002,633	\$7,960,361	(\$42,272)
<u>EXPENDITURES</u>				
Current:				
Instruction	5,077,138	5,119,837	5,145,990	(26,153)
Student Services	135,851	140,153	146,022	(5,869)
Instructional Support	110,136	215,727	217,731	(2,004)
General Administration	454,448	382,976	378,585	4,391
School Administration	527,857	533,582	534,640	(1,058)
Business Administration	164,892	159,239	152,884	6,355
Operation & Maintenance of Plant	954,390	950,365	936,177	14,188
Transportation	261,424	272,067	271,214	853
Support Services - Other	59,175	244,034	238,358	5,676
Community Services	4,000	64,822	64,232	590
Total Expenditures	\$7,749,311	\$8,082,802	\$8,085,833	(\$3,031)
Excess of Revenues Over Expenditures	\$21,370	(\$80,169)	(\$125,472)	(\$45,303)
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(154,917)	(121,136)	(146,136)	(25,000)
	(\$133,547)	(\$201,305)	(\$271,608)	(\$70,303)
<u>FUND BALANCE - BEGINNING</u>			1,739,856	
<u>FUND BALANCE - ENDING</u>			\$1,468,248	



OTHER SUPPLEMENTAL  
INFORMATION



ATHERTON COMMUNITY SCHOOLS  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2005

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$43,605	\$49,303	\$49	\$92,957
Investments	0	0	68	68
Due from Other Funds	67,551	0	0	67,551
Inventory	6,885	0	0	6,885
Prepaid Expenses	435	0	0	435
<u>TOTAL ASSETS</u>	<u>\$118,476</u>	<u>\$49,303</u>	<u>\$117</u>	<u>\$167,896</u>
<u>LIABILITIES</u>				
Accounts Payable	\$36,378	\$0	\$0	\$36,378
Due to Other Funds	0	15,087	0	15,087
Deferred Revenue	1,737	0	0	1,737
Total Liabilities	\$38,115	\$15,087	\$0	\$53,202
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	6,885	0	0	6,885
Debt Retirement	0	34,216	0	34,216
Capital Projects	0	0	117	117
Unreserved:				
Undesignated, Reported In:				
School Service Fund	73,476	0	0	73,476
Total Fund Balances	\$80,361	\$34,216	\$117	\$114,694
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$118,476</u>	<u>\$49,303</u>	<u>\$117</u>	<u>\$167,896</u>



ATHERTON COMMUNITY SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources				
Cafeteria Sales	\$164,374	\$0	\$0	\$164,374
Athletic Activities	22,469	0	0	22,469
Property Taxes	0	686,620	0	686,620
Earnings on Investments and Deposits	846	1,150	3,537	5,533
Other Local Revenues	18,450	0	0	18,450
Total Local Sources	\$206,139	\$687,770	\$3,537	\$897,446
State Sources	31,693	0	0	31,693
Federal Sources	216,830	0	0	216,830
Total Revenues	\$454,662	\$687,770	\$3,537	\$1,145,969
<u>OTHER FINANCING SOURCES (USES)</u>	144,476	0	93,212	237,688
Total Revenues & Other Financing Sources	\$599,138	\$687,770	\$96,749	\$1,383,657
<u>EXPENDITURES</u>				
Food Service & Athletics	628,746	0	0	628,746
Debt Service				
Principal	0	315,000	0	315,000
Interest	0	393,500	0	393,500
Other	0	331	0	331
Capital Outlay				
Non-Property	0	0	703,317	703,317
Equipment & Furniture	0	0	11,415	11,415
Other	0	0	167,644	167,644
Total Expenditures	\$628,746	\$708,831	\$882,376	\$2,219,953
Net Change in Fund Balance	(\$29,608)	(\$21,061)	(\$785,627)	(\$836,296)
<u>NET ASSETS - BEGINNING</u>	109,969	55,277	785,744	950,990
<u>NET ASSETS - ENDING</u>	\$80,361	\$34,216	\$117	\$114,694



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
SPECIAL REVENUE FUND  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$43,605	\$0	\$43,605
Due from Other Funds	28,029	39,522	67,551
Inventory	6,885	0	6,885
Prepaid Expenses	435	0	435
<u>TOTAL ASSETS</u>	<u>\$78,954</u>	<u>\$39,522</u>	<u>\$118,476</u>
<u>LIABILITIES</u>			
Accounts Payable	\$538	\$35,840	\$36,378
Deferred Revenue	1,737	0	1,737
Total Liabilities	\$2,275	\$35,840	\$38,115
<u>FUND EQUITY</u>			
Reserved for Inventory	6,885	0	6,885
Unreserved and Undesignated	69,794	3,682	73,476
Total Fund Equity	\$76,679	\$3,682	\$80,361
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$78,954</u>	<u>\$39,522</u>	<u>\$118,476</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
SPECIAL REVENUE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$164,374	\$0	\$164,374
Athletic Activities	0	22,469	22,469
Earnings on Investments and Deposits	846	0	846
Other Local Revenues	9,970	8,480	18,450
Total Local Sources	<u>\$175,190</u>	<u>\$30,949</u>	<u>\$206,139</u>
<u>State Sources</u>			
State Reimbursements	31,693	0	31,693
<u>Federal Sources</u>			
Federal Reimbursements	188,189	0	188,189
Commodities	28,641	0	28,641
Total Federal Sources	<u>\$216,830</u>	<u>\$0</u>	<u>\$216,830</u>
Total Revenues	<u>\$423,713</u>	<u>\$30,949</u>	<u>\$454,662</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	144,476	144,476
Total Revenues and Other Financing Sources	<u>\$423,713</u>	<u>\$175,425</u>	<u>\$599,138</u>
<u>EXPENDITURES</u>			
Salaries - Professional	28,000	0	28,000
Salaries - Non-Professional	129,207	71,707	200,914
Insurances	26,932	0	26,932
Fica, Retirement, Etc.	34,282	15,757	50,039
Other Benefits	1,500	0	1,500
Purchased Services	11,692	28,108	39,800
Supplies and Materials	188,479	27,484	215,963
Capital Outlay	25,918	34,584	60,502
Other	281	4,815	5,096
Total Expenditures	<u>\$446,291</u>	<u>\$182,455</u>	<u>\$628,746</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$22,578)</u>	<u>(\$7,030)</u>	<u>(\$29,608)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$99,257</u>	<u>\$10,712</u>	<u>\$109,969</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$76,679</u>	<u>\$3,682</u>	<u>\$80,361</u>



INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$2,192,325	\$2,095,622	(\$96,703)
Earnings on Investments and Deposits	18,000	18,554	554
Transfer from ISD - Medicaid - Fee-for-Service	19,933	22,040	2,107
Other Local Revenues	130,142	176,255	46,113
Total Revenues from Local Sources	\$2,360,400	\$2,312,471	(\$47,929)
<u>State Sources</u>			
Unrestricted			
State Aid - Foundation - Sec. 20	4,681,472	4,704,283	22,811
Restricted			
Special Education	167,165	156,286	(10,879)
EDP/Assessment - MS/HS	24,140	24,140	0
Other State Grants	1,500	1,643	143
Durant	14,988	14,988	0
At Risk	236,394	236,410	16
Total Revenues from State Sources	\$5,125,659	\$5,137,750	\$12,091
<u>Federal Sources</u>			
Grants from ISD	225,870	226,278	408
Improving Teacher Quality	70,286	70,286	0
Technology Literacy	9,185	5,217	(3,968)
Medicaid	8,734	8,735	1
Title I	199,624	199,624	0
Title V	2,875	0	(2,875)
Total Revenues from Federal Sources	\$516,574	\$510,140	(\$6,434)
Total Revenues	\$8,002,633	\$7,960,361	(\$42,272)
<u>OTHER FINANCING SOURCES</u>			
Sale of School Property	24,800	25,797	997
Transfers from Other Districts	57,400	57,383	(17)
Other Transfers	46,591	0	(46,591)
County Special Education Tax	82,149	102,761	20,612
Total Other Financing Sources	\$210,940	\$185,941	(\$24,999)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$8,213,573</u>	<u>\$8,146,302</u>	<u>(\$67,271)</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2005

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Elementary</u>			
Salaries - Professional	\$725,000	\$720,970	\$4,030
Salaries - Non-Professional	68,542	68,566	(24)
Insurances	106,655	129,544	(22,889)
Fica, Retirement, Etc.	181,178	179,745	1,433
Other Benefits	7,750	7,749	1
Supplies and Materials	15,327	15,327	0
Total Elementary	<u>\$1,104,452</u>	<u>\$1,121,901</u>	<u>(\$17,449)</u>
<u>Middle School</u>			
Salaries - Professional	963,000	951,598	11,402
Salaries - Non-Professional	61,925	61,888	37
Insurances	155,200	183,887	(28,687)
Fica, Retirement, Etc.	221,616	221,393	223
Other Benefits	2,071	2,071	0
Supplies and Materials	29,377	29,296	81
Capital Outlay	3,132	3,132	0
Total Middle School	<u>\$1,436,321</u>	<u>\$1,453,265</u>	<u>(\$16,944)</u>
<u>High School</u>			
Salaries - Professional	847,000	843,453	3,547
Salaries - Non-Professional	32,500	32,463	37
Insurances	160,400	180,247	(19,847)
Fica, Retirement, Etc.	200,514	200,194	320
Other Benefits	9,441	9,441	0
Purchased Services	33,300	33,300	0
Supplies and Materials	25,722	25,916	(194)
Capital Outlay	4,006	4,006	0
Total High School	<u>\$1,312,883</u>	<u>\$1,329,020</u>	<u>(\$16,137)</u>
<u>Total Basic Programs</u>	<u>\$3,853,656</u>	<u>\$3,904,186</u>	<u>(\$50,530)</u>
<u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	393,949	398,550	(4,601)
Salaries - Non-Professional	80,717	82,762	(2,045)
Insurances	71,638	73,777	(2,139)
Fica, Retirement, Etc.	109,714	106,289	3,425
Other Benefits	2,530	2,040	490
Purchased Services	2,291	1,938	353
Supplies and Materials	60,622	38,064	22,558
Total Special Education	<u>\$721,461</u>	<u>\$703,420</u>	<u>\$18,041</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>INSTRUCTION</u> (Continued)			
<u>ADDED NEEDS</u> (Continued)			
<u>Compensatory Education</u>			
Salaries - Professional	\$326,751	\$335,427	(\$8,676)
Insurances	59,737	74,196	(14,459)
Fica, Retirement, Etc.	76,256	78,016	(1,760)
Purchased Services	28,935	13,533	15,402
Supplies and Materials	28,941	11,624	17,317
Total Compensatory Education	<u>\$520,620</u>	<u>\$512,796</u>	<u>\$7,824</u>
<u>Vocational Education</u>			
Salaries - Non-Professional	1,776	1,776	0
Fica, Retirement, Etc.	398	398	0
Supplies and Materials	21,926	23,414	(1,488)
Total Vocational Education	<u>\$24,100</u>	<u>\$25,588</u>	<u>(\$1,488)</u>
<u>Total Added Needs</u>	<u>\$1,266,181</u>	<u>\$1,241,804</u>	<u>\$24,377</u>
<u>Total Instruction</u>	<u>\$5,119,837</u>	<u>\$5,145,990</u>	<u>(\$26,153)</u>
<u>SUPPORT SERVICES</u>			
<u>STUDENT SERVICES</u>			
Salaries - Professional	65,000	64,988	12
Salaries - Non-Professional	29,291	30,320	(1,029)
Insurances	22,859	27,389	(4,530)
Fica, Retirement, Etc.	21,517	21,698	(181)
Other Benefits	0	556	(556)
Supplies and Materials	1,486	1,071	415
Total Student Services	<u>\$140,153</u>	<u>\$146,022</u>	<u>(\$5,869)</u>
<u>INSTRUCTIONAL STAFF</u>			
Salaries - Professional	142,940	142,441	499
Salaries - Non-Professional	8,395	8,214	181
Insurances	12,174	14,551	(2,377)
Fica, Retirement, Etc.	34,205	34,076	129
Other Benefits	3,356	3,448	(92)
Purchased Services	8,100	8,490	(390)
Supplies and Materials	6,557	6,511	46
Total Instructional Staff	<u>\$215,727</u>	<u>\$217,731</u>	<u>(\$2,004)</u>
<u>GENERAL ADMINISTRATION</u>			
Salaries - Professional	113,253	113,253	0
Salaries - Non-Professional	22,674	22,674	0
Insurances	15,870	15,722	148
Fica, Retirement, Etc.	47,579	46,104	1,475
Purchased Services	154,904	152,947	1,957
Supplies and Materials	27,426	26,615	811
Other	1,270	1,270	0
Total General Administration	<u>\$382,976</u>	<u>\$378,585</u>	<u>\$4,391</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES</u> (Continued)			
<u>SCHOOL ADMINISTRATION</u>			
Salaries - Professional	\$233,547	\$233,547	\$0
Salaries - Non-Professional	121,828	121,753	75
Insurances	48,210	50,118	(1,908)
Fica, Retirement, Etc.	86,842	86,149	693
Other Benefits	3,900	3,900	0
Purchased Services	30,136	30,054	82
Supplies and Materials	7,199	7,199	0
Other	1,920	1,920	0
Total School Administration	<u>\$533,582</u>	<u>\$534,640</u>	<u>(\$1,058)</u>
<u>BUSINESS OFFICE</u>			
Salaries - Professional	112,958	108,535	4,423
Salaries - Non-Professional	814	814	0
Insurances	13,900	13,829	71
Fica, Retirement, Etc.	25,547	24,273	1,274
Other Benefits	1,320	1,320	0
Purchased Services	1,000	587	413
Supplies and Materials	3,200	3,391	(191)
Other	500	135	365
Total Business Office	<u>\$159,239</u>	<u>\$152,884</u>	<u>\$6,355</u>
<u>OPERATION &amp; MAINTENANCE OF PLANT</u>			
Salaries - Professional	15,124	14,276	848
Salaries - Non-Professional	113,000	106,168	6,832
Insurances	16,722	17,062	(340)
Fica, Retirement, Etc.	28,615	28,794	(179)
Other Benefits	598	598	0
Purchased Services	526,744	524,341	2,403
Supplies and Materials	249,562	244,938	4,624
Total Operation and Maintenance of Plant	<u>\$950,365</u>	<u>\$936,177</u>	<u>\$14,188</u>
<u>TRANSPORTATION</u>			
Salaries - Professional	14,524	14,177	347
Salaries - Non-Professional	101,952	106,286	(4,334)
Insurances	4,838	1,095	3,743
Fica, Retirement, Etc.	32,007	31,432	575
Other Benefits	3,100	3,094	6
Purchased Services	62,644	63,043	(399)
Supplies and Materials	31,862	31,488	374
Capital Outlay	3,140	3,140	0
Other	18,000	17,459	541
Total Transportation	<u>\$272,067</u>	<u>\$271,214</u>	<u>\$853</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>OTHER SUPPORT SERVICES</u>			
Salaries - Professional	\$14,982	\$14,662	\$320
Salaries - Non-Professional	19,088	10,499	8,589
Insurances	6,195	6,167	28
Fica, Retirement, Etc.	4,912	4,778	134
Other Benefits	600	608	(8)
Purchased Services	196,000	199,387	(3,387)
Supplies and Materials	2,257	2,257	0
Total Other Support Services	<u>\$244,034</u>	<u>\$238,358</u>	<u>\$5,676</u>
 <u>Total Support Services</u>	 \$2,898,143	 \$2,875,611	 \$22,532
 <u>COMMUNITY SERVICES</u>			
Salaries - Non-Professional	27,200	27,062	138
Insurances	779	769	10
Fica, Retirement, Etc.	6,118	5,920	198
Purchased Services	3,745	3,745	0
Supplies and Materials	26,980	26,736	244
Total Community Services	<u>\$64,822</u>	<u>\$64,232</u>	<u>\$590</u>
 <u>Total Expenditures</u>	 \$8,082,802	 \$8,085,833	 (\$3,031)
 <u>OTHER FINANCING USES</u>			
Transfers to Other Funds	237,688	237,688	0
Special Ed Consortium	60,927	60,927	0
Principal Payments	31,000	31,988	(988)
Bus Interest Payments	2,461	1,474	987
Total Other Financing Uses	<u>\$332,076</u>	<u>\$332,077</u>	<u>(\$1)</u>
 <u>TOTAL EXPENDITURES AND OTHER</u> <u>FINANCING USES</u>	 <u>\$8,414,878</u>	 <u>\$8,417,910</u>	 <u>(\$3,032)</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
Adm Bereavement Fund	\$175	\$0	\$0	\$175
Aea Pop & Coffee Fund	609	181	425	365
Art Activity	110	0	0	110
Athletic Activity	0	4,382	2,415	1,967
Boys Youth Basketball	148	443	590	1
Boys Youth Basketball Entry Fee	2	0	0	2
Case	80	0	0	80
CC-Fund Raiser	657	0	0	657
Class Of 2000	55	0	0	55
Class Of 2001	55	0	0	55
Class Of 2002	55	0	0	55
Class Of 2003	1,551	0	0	1,551
Class Of 2004	1,510	0	0	1,510
Class Of 2005	4,370	1,027	1,581	3,816
Class Of 2006	2,415	8,860	9,427	1,848
Class Of 2007	1,419	150	170	1,399
Class Of 2008	387	127	218	296
Class Of 99	1,091	0	0	1,091
Eighth Grade Activity	932	5,210	5,451	691
Fifth Grade Activity	889	575	1,315	149
Fourth Grade Activity	1,086	347	1,415	18
Girls Youth Basketball	392	225	0	617
HS Baseball	549	1,103	992	660
HS Boys Basketball	394	1,124	1,027	491
HS Building Fund	446	8,919	7,612	1,753
HS Cheerleaders	378	3,713	3,981	110
HS Close-Up	288	0	0	288
HS Drama Guild	1,364	577	1,529	412
HS Foods	117	1,387	1,450	54
HS Football	0	0	0	0
HS Girls Basketball	753	2,818	3,548	23
HS Homemaking	123	609	688	44
HS Library	289	153	234	208
HS Literary Magazine	546	3,574	4,119	1
HS Shop	535	159	500	194
HS Stage Improvements	0	1,162	0	1,162
HS Student Council	1	3,635	3,636	0
HS Talent Show	238	0	0	238
HS Volleyball	224	4,445	4,078	591
Interest & Bank Chgs	0	1,076	821	255
Irv King Memorial	377	0	377	0
J Hemingway Fund	4,369	3,788	2,875	5,282
Marketing	221	0	0	221
MS Arts	159	480	174	465
MS Bldg Fund	1,819	5,150	6,519	450



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
MS Cheerleaders	\$67	\$0	\$0	\$67
MS Choir	2,445	23,193	23,983	1,655
MS Drama	211	323	121	413
MS Flower Fund	302	335	502	135
MS Fundraiser	9	0	0	9
MS Industrial Arts	3	0	0	3
MS Journalism	76	0	0	76
MS Library	215	198	392	21
MS Market Day	0	430	430	0
MS N.H.S.	596	0	0	596
MS Parent Group	120	0	0	120
MS Physical Ed	498	485	306	677
MS Positive Awards	0	431	431	0
MS R.I.F.	102	0	0	102
MS Ski Trip	112	2,636	2,657	91
MS Special Ed	8	0	0	8
MS Special Ed - Sue Will	182	230	199	213
MS Sports Activity	0	130	0	130
MS Stage Improvement	4,526	80	4,606	0
MS Student Council	547	86	500	133
MS Track	0	63	0	63
MS Washington Trip	748	0	0	748
MS Yearbook	351	1,006	126	1,231
National Honor Society	583	3,410	3,143	850
Powers MS Classroom	313	0	0	313
S A D D	474	0	62	412
S Winters Band Memorial	133	0	0	133
Seventh Grade Activity	2,058	161	245	1,974
Six Grade Activity	690	4,019	4,644	65
Stage Improvement	429	0	164	265
Temporary Fund	364	0	0	364
Tennis Activity	804	80	884	0
Van Y Bldg Fund	13,222	27,634	36,366	4,490
Van Y Library Fund	582	184	576	190
Van Y Music Fund	28	0	0	28
Varsity Softball	0	1,467	1,188	279
Wolverine Writing Center	0	51	30	21
Yearbook	0	6,909	6,471	438
Youth Cheerleaders	848	0	381	467
Youth Football	2,971	4,849	4,766	3,054
Youth Football Boosters	120	0	0	120
Youth Pom Pon	31	0	0	31
Youth Programs-Misc.	110	0	0	110
Youth Summer Ball	1,094	0	0	1,094
<b>TOTALS</b>	<b>\$67,150</b>	<b>\$143,789</b>	<b>\$160,340</b>	<b>\$50,599</b>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$149,883

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2006	4.761353%	\$7,255	\$3,270	\$10,525
2007	4.761353%	7,599	2,925	10,524
2008	4.761353%	35,032	14,637	49,669
2009	4.761353%	8,341	2,184	10,525
2010	4.761353%	8,738	1,787	10,525
2011	4.761353%	9,154	1,371	10,525
2012	4.761353%	9,590	935	10,525
2013	4.761353%	10,046	478	10,524
<u>TOTAL</u>		<u>\$95,755</u>	<u>\$27,587</u>	<u>\$123,342</u>

DATE OF ISSUE - November 13, 2001

Original amount of issue - \$9,125,000

2001 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2006	6.00%	\$335,000	\$187,300	\$187,300	\$709,600
2007	6.00%	355,000	177,250	177,250	709,500
2008	6.00%	375,000	166,600	166,600	708,200
2009	6.00%	395,000	155,350	155,350	705,700
2010	6.00%	415,000	143,500	143,500	702,000
2011	4.00%	440,000	131,050	131,050	702,100
2012	4.00%	460,000	118,400	118,400	696,800
2013	4.00%	485,000	109,200	109,200	703,400
2014	4.00%	515,000	99,500	99,500	714,000
2015	4.00%	540,000	89,200	89,200	718,400
2016	4.00%	570,000	78,400	78,400	726,800
2017	4.00%	605,000	67,000	67,000	739,000
2018	4.00%	635,000	54,900	54,900	744,800
2019	4.00%	670,000	42,200	42,200	754,400
2020	4.00%	710,000	28,800	28,800	767,600
2021	4.00%	730,000	14,600	14,600	759,200
<u>TOTAL</u>		<u>\$8,235,000</u>	<u>\$1,663,250</u>	<u>\$1,663,250</u>	<u>\$11,561,500</u>



ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005



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*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 12, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of  
Atherton Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the Atherton Community Schools' basic financial statements and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Atherton Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atherton Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Atherton Community Schools, in a separate letter dated August 12, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS





*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 12, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Education of  
Atherton Community Schools

Compliance

We have audited the compliance of Atherton Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Atherton Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Atherton Community Schools' management. Our responsibility is to express an opinion on Atherton Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atherton Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Atherton Community Schools' compliance with those requirements.

In our opinion, Atherton Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Atherton Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Atherton Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.





Atherton Community Schools

Page 2

August 12, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Atherton Community Schools', basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
Title I Carryover (02-03)		31530-0304	\$26,942
Title I Regular (03-04)		41530-0304	211,108
Title I Carryover (03-04)		41530-0405	6,358
Title I Regular (04-05)		51530-0405	193,266
Total Title I			<u>\$437,674</u>
Innovative Education Program Strategies	84.298		
Title V (02-03)		30250-0203	1,800
Title V (03-04)		40250-0304	3,080
Title V (04-05)		50250-0405	2,875
Total Innovative Education Program Strategies			<u>\$7,755</u>
Enhancing Education Through Technology	84.318		
Technology Literacy Challenge Grants		34290-0304	6,348
Technology Literacy Challenge Grants		44290-0304	1,000
Technology Literacy Challenge Grants		44290-0405	4,273
Technology Literacy Challenge Grants		54290-0405	4,912
Total Enhancing Education Through Technology			<u>\$16,533</u>
Teacher/Principal Training and Recruiting	84.367		
Improving Teacher Quality - Carryover		30520-0304	15,478
Improving Teacher Quality (03-04)		40520-0304	60,746
Improving Teacher Quality (04-05)		50520-0405	60,813
Total Teacher/Principal Training & Recruiting			<u>\$137,037</u>
Total Passed Through Michigan Department of Education			<u>\$598,999</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States:	84.027		
IDEA Flowthrough (03-04)		40450-0304	175,447
IDEA Flowthrough (04-05)		20450-0405	206,969
Transition Services (04-05)		50490-TS	857
Total Special Education Grants to States			<u>\$383,273</u>
Safe & Drug Free Learning Communities	84.184		
Safe & Drug Free (03-04)		S184L020281-3	17,415



ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$26,942	\$26,942	\$0	\$0	\$26,942	\$0
211,109	211,109	0	(1)	211,108	0
0	0	6,358	0	0	6,358
0	0	193,266	0	0	193,266
<u>\$238,051</u>	<u>\$238,051</u>	<u>\$199,624</u>	<u>(\$1)</u>	<u>\$238,050</u>	<u>\$199,624</u>
1,800	1,800	0	0	1,800	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$1,800</u>	<u>\$1,800</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,800</u>	<u>\$0</u>
6,348	6,348	0	0	6,348	0
1,000	1,000	0	0	1,000	0
0	0	4,273	0	0	4,273
0	0	944	0	0	944
<u>\$7,348</u>	<u>\$7,348</u>	<u>\$5,217</u>	<u>\$0</u>	<u>\$7,348</u>	<u>\$5,217</u>
15,478	15,478	0	0	15,478	0
51,273	51,273	9,473	0	60,746	0
0	0	60,813	0	0	60,813
<u>\$66,751</u>	<u>\$66,751</u>	<u>\$70,286</u>	<u>\$0</u>	<u>\$76,224</u>	<u>\$60,813</u>
<u>\$313,950</u>	<u>\$313,950</u>	<u>\$275,127</u>	<u>(\$1)</u>	<u>\$323,422</u>	<u>\$265,654</u>
138,955	175,447	0	0	138,955	0
0	0	206,969	0	99,551	107,418
0	0	857	0	0	857
<u>\$138,955</u>	<u>\$175,447</u>	<u>\$207,826</u>	<u>\$0</u>	<u>\$238,506</u>	<u>\$108,275</u>
0	0	17,415	0	17,415	0



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Genesee Intermediate School District:			
Fund for Improvement of Education	84.215		
PEP - C.M. White Physical Fitness (03-04)		Q215F031137	\$4,935
Total Passed Through Genesee Intermediate School District			<u>\$405,623</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$1,004,622
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	22,633
Bonus Commodities		N/A	6,008
Total Food Distribution			<u>\$28,641</u>
School Breakfast Program	10.553	N/A	43,303
National School Lunch Program	10.555	N/A	<u>144,886</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$216,830
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Genesee Intermediate School District			
WIA Title I Year Round Youth Services (04-05)	17.259	007-K-04	100
<u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>			
Passed Through United Way of Genesee County			
Bridges to the Future	93.558	N/A	21,452
Passed Through Genesee Intermediate School District			
Medicaid - Administrative Outreach	93.778	N/A	<u>8,735</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>			<u>\$30,187</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$1,251,739</u></u>



ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
<u>\$3,998</u>	<u>\$3,998</u>	<u>\$937</u>	<u>\$0</u>	<u>\$4,935</u>	<u>\$0</u>
<u>\$142,953</u>	<u>\$179,445</u>	<u>\$226,178</u>	<u>\$0</u>	<u>\$260,856</u>	<u>\$108,275</u>
\$456,903	\$493,395	\$501,305	(\$1)	\$584,278	\$373,929
0	0	22,633	0	22,633	0
<u>0</u>	<u>0</u>	<u>6,008</u>	<u>0</u>	<u>6,008</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$28,641</u>	<u>\$0</u>	<u>\$28,641</u>	<u>\$0</u>
0	0	43,303	0	43,303	0
<u>0</u>	<u>0</u>	<u>144,886</u>	<u>0</u>	<u>144,886</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$216,830</u>	<u>\$0</u>	<u>\$216,830</u>	<u>\$0</u>
0	0	100	0	100	0
1,871	21,452	0	0	1,871	0
<u>0</u>	<u>0</u>	<u>8,735</u>	<u>0</u>	<u>8,735</u>	<u>0</u>
<u>\$1,871</u>	<u>\$21,452</u>	<u>\$8,735</u>	<u>\$0</u>	<u>\$10,606</u>	<u>\$0</u>
<u>\$458,774</u>	<u>\$514,847</u>	<u>\$726,970</u>	<u>(\$1)</u>	<u>\$811,814</u>	<u>\$373,929</u>



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

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FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS

\$726,970

FEDERAL REVENUE RECOGNIZED PER THE GENERAL  
PURPOSE FINANCIAL STATEMENTS

General Fund \$510,140

School Service Fund 216,830

TOTAL \$726,970

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.



ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN  
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$798,575
<u>Less:</u> State Funded Grants		
Drivers Education		(2,612)
School Breakfast Program		(14,730)
<u>Less:</u> Timing Differences		
School Breakfast and Lunch Program Revenue Received in Subsequent Year		
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District		
Special Education - Grants to States (CFDA 84.027)	\$238,506	
Safe & Drug Free (CFDA 84.184)	\$17,415	
Fund for Improvement of Education (CFDA 84.215)	4,935	
WIA Title I Year Round Youth Services (CFDA 17.259)	100	
Medicaid - Administrative Outreach	8,735	
Total Grants Passed Through Genesee Intermediate School District		269,691
<u>Less:</u> Timing Differences between R-7120 and District Receipt of Funds		
Title I (03-04) Carryover (84.010)	(6,358)	
Title I (04-05) (84.010)	(193,266)	
Teacher/Principal Training & Recruiting (84.367)	(60,813)	
Enhancing Education Through Technology (03-04) Carryover (84.318)	(4,273)	
Enhancing Education Through Technology (04-05) Carryover (84.318)	(4,912)	
Total Timing Differences between R-7120 and District Receipt of Funds		(269,622)
Grants Passed Through United Way		
Bridges to the Future (CFDA 93.558)		1,871
Entitlement and Bonus Commodities (CFDA 10.550)		28,641
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$811,814</u>



ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027	Special Education

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no current year findings.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no current year findings.



ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005

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2004-1) Special Education Grant (CFDA #84.027)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Status:</u>	The district has implemented a standard time certification form and the appropriate employee or other supervisory employee completes the certifications every six months.
<u>Questioned Cost:</u>	None.





# *Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 12, 2005

To the Board of Education of  
Atherton Community Schools

In planning and performing our audit of the financial statements of Atherton Community Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Atherton Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

## CURRENT YEAR FINDINGS

### 1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, Atherton Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

## FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Atherton Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- \* Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)





Atherton Community Schools

Page 2

August 12, 2005

- \* Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- \* Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Atherton Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS